

~~SECRET/SENSITIVE~~**UNCLASSIFIED**NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 205082d chapter 13, Footnote 37
SYSTEM IV
NSC/ICS 40425

6347

MEMORANDUM OF CONVERSATION

SUBJECT: C.S.-Iran Dialogue (U)

PARTICIPANTS:

U.S.Oliver L. North
George Cave
Howard R. TeicherIsrael

Amiram Nir

IranDATE: May 27, 1986
PLACE: Tehran, Iran, Independence Hotel
TIME: 10:00 a.m.

North expressed the U.S. team's gratitude that discussion can be continued. He noted that he had recommended that McFarlane meet with [REDACTED] (S)

[REDACTED] said there was some news about the hostages. "We heard early. But I felt you were sleeping. There is a development which requires a decision. Our messenger in Beirut is in touch with those holding the hostages by special means. They made heavy conditions. They asked for Israel to withdraw from the Golan Heights and South Lebanon. Lahad must return to East Beirut, the prisoners in Kuwait must be freed, and all expenses paid for hostage-taking. They do not want money from the U.S. Iran must pay this money. We told them these conditions must be reduced. We can't make this work. We are negotiating. We are ready to pay for humanitarian reasons. We are negotiating other conditions. We are hopeful these negotiations will succeed." (S)

[REDACTED] complained that "only a portion of the 240 spare parts had been delivered. The rest should come. This is an important misunderstanding." (McFarlane called [REDACTED] down to his suite at this point in the discussion.) (S)

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North said, "The U.S. would provide the additional items on [redacted] list to the extent we can as soon as possible if they're still made. As soon as possible relates to funding. Even with countries where we have formal military ties, our law requires prior payment." (S)

[redacted] opined that "many things are not written in law. In the same way we can finance your hostages you can find a way to finance our purchases." (S)

Teicher explained how the U.S. Government sells military equipment, especially the interaction between the Congress and the President. "Our current sales to Iran are not following normal procedures and cannot be routinized."

Nir asked whether it might be agreed that "since the U.S. Government cannot deliver without advance payment and Iran cannot pay in advance, we will examine mid-term financial arrangement possibilities, such as Ghorbanifar and oil deals?" (S)

On this note, the discussion broke up into separate lengthy corridor talks. After the Iranians departed, around noon, McFarlane stated that [redacted] understood what steps Iran must take to restore U.S. confidence. But he referred to some sort of documents or letters held by Ghorbanifar. No member of the U.S. team was aware of these letters. McFarlane had emphasized that he must shortly leave, and that an opportunity for improved relations was being wasted. McFarlane said he would draft a MEMCON of his one-on-one discussion. (S)

Lunch was served at 12:30 p.m.

Prepared by:
Howard Teicher

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